

# **TOWN OF APPLE VALLEY**

Audit Report

## **STREET MAINTENANCE FUND**

*July 1, 2006, through June 30, 2013*

## **TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS**

*July 1, 2006, through June 30, 2011*

## **PROPOSITION 1B FUND**

*July 1, 2007, through June 30, 2013*



**JOHN CHIANG**  
California State Controller

August 2014



**JOHN CHIANG**  
**California State Controller**

August 27, 2014

The Honorable Art Bishop  
Mayor of the Town of Apple Valley  
14955 Dale Evans Parkway  
Apple Valley, CA 92307

Dear Mayor Bishop:

The State Controller's Office audited the Town of Apple Valley's Street Maintenance (Gas Tax) Fund for the period of July 1, 2006, through June 30, 2013. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Street Maintenance Fund for the period of July 1, 2006, through June 30, 2011, as well as the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit found that the town accounted for and expended its Street Maintenance Fund in compliance with requirements, and that no adjustment to the fund is required.

In addition, our audit found that the town accounted for and expended its Proposition 1B Fund in compliance with requirements, and that no adjustment to the fund is required.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

cc: Marc Puckett  
Assistant Town Manager of Finance & Administration  
Kofi Antobam  
Assistant Director of Finance

# Contents

## Audit Report

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Follow-Up on Prior Audit Findings .....</b>	<b>3</b>
<b>Views of Responsible Officials.....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Schedule 1—Reconciliation of Fund Balance .....</b>	<b>4</b>

# Audit Report

## Summary

The State Controller's Office audited the Town of Apple Valley's Street Maintenance (Gas Tax) Fund for the period of July 1, 2006, through June 30, 2013. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Street Maintenance Fund for the period of July 1, 2006, through June 30, 2011, as well as the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit found that the town accounted for and expended its Street Maintenance Fund in compliance with requirements, and that no adjustment to the fund is required.

In addition, our audit found that the town accounted for and expended its Proposition 1B Fund in compliance with requirements, and that no adjustment to the fund is required.

## Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its Special Gas Tax Street Improvement Fund. A city must expend gas tax funds only for street-related purposes. We conducted our audit of the town's Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created a Traffic Congestion Relief Fund in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The town recorded its TCRF allocations in the Street Maintenance Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

Senate Bill 1266 Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, was introduced as Proposition 1B and approved by the voters on November 7, 2006, for a variety of transportation priorities, including the maintenance and improvement of local transportation facilities. Proposition 1B funds transferred to cities and counties shall be deposited into an account that is designated for the receipt of state funds allocated for streets and roads. The town recorded its Proposition 1B allocations in the Proposition 1B Fund. Also, a city is required to expend its allocations within four years following the end of the fiscal year in which the allocation was made and to be expended in compliance with Government Code section 8879.23. We conducted our

audit of the town's Proposition 1B Fund under the authority of Government Code section 12410.

## **Objectives, Scope, and Methodology**

Our audit objective was to determine whether the town accounted for and expended the Street Maintenance Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104. Our audit objective was also to determine whether the town accounted for and expended the Proposition 1B Fund in compliance with Government Code Section 8879.23. To meet the audit objectives, we determined whether the town:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Street Maintenance Fund;
- Expended funds exclusively for authorized street-related purposes;
- Made available unexpended funds for future expenditures; and
- Properly deposited Proposition 1B allocations into an account designated for the receipt of state funds associated for transportation purposes.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the town's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the town accounted for and expended the Street Maintenance Fund in accordance with the requirements of the Streets and Highways Code, Revenue and Taxation Code section 7104, and Government Code section 8819.23. Accordingly, we examined transactions, on a test basis, to determine whether the town expended funds for street purposes. We considered the town's internal controls only to the extent necessary to plan the audit.

## **Conclusion**

Our audit found that the Town of Apple Valley accounted for and expended its Street Maintenance Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2006, through June 30, 2013.

Our audit also found that the town accounted for and expended its TCRF allocations recorded in the Street Maintenance Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2006, through June 30, 2011.

In addition, our audit found that the town accounted for and expended its Proposition 1B Fund in compliance with Government Code section 8879.23 for the period of July 1, 2007, through June 30, 2013.

**Follow-Up on Prior  
Audit Findings**

Our prior audit report, issued on October 17, 2007, disclosed no findings.

**Views of  
Responsible  
Officials**

We discussed the audit results with town representatives during an exit conference on July 9, 2014. Marc Puckett, Assistant Town Manager of Finance & Administration; and Kofi Antobam, Assistant Director of Finance, agreed with the audit results. Mr. Puckett and Mr. Antobam further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

**Restricted Use**

This report is intended for the information and use of the Town of Apple Valley's management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

August 27, 2014

# Schedule 1— Reconciliation of Fund Balance July 1, 2012, through June 30, 2013

	Special Gas Tax Street Improvement Fund Highway Users Tax Allocations <sup>1, 2</sup>
Beginning fund balance per city	\$ 29,751
Revenues	<u>1,586,327</u>
Total funds available	1,616,078
Expenditures	<u>(1,616,078)</u>
Ending fund balance per city	<u>—</u>
SCO adjustment	<u>—</u>
Ending fund balance per audit	<u><u>\$ —</u></u>

<sup>1</sup> The town receives apportionments from the State highway users tax account, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 restricts apportionments to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems. The audit period was July 1, 2006, through June 30, 2013; however, this schedule includes only the period of July 1, 2012, through June 30, 2013.

<sup>2</sup> Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street and road maintenance, reconstruction, and storm damage repair. The TCRF allocations were recorded in the Street Maintenance Fund. The audit period was July 1, 2006, through June 30, 2011. The TCRF allocations were all spent by fiscal year 2010-11.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**